



Performance Audit Leasing City-Owned Property

April 2015



Office of the City Auditor

City of Kansas City, Missouri

01-2015



Office of the City Auditor

21st Floor, City Hall
414 East 12th Street
Kansas City, Missouri 64106

(816) 513-3300
Fax: (816) 513-3305

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Honorable Mayor and Members of the City Council:

This audit of leasing city-owned property focuses on whether the General Services Department is effectively managing the city's leasable real estate assets. Although we identified several problems with the leasing program, we noted signs of improvement. General Services improved its ability to manage leases by computerizing lease records, hiring a new real estate manager, and developing a business plan for the real estate office. The department also drafted a revised administrative regulation that addresses city real estate leases.

General Services needs some additional business practices to strengthen lease management. General Services leases and continues to manage previously established leases for several properties at below market rent; however, the city does not have a policy that requires evaluating what qualifications the organizations should meet, consistently evaluating whether the organizations provide enough social benefit to justify the rent subsidy, and publicly reporting the value of such subsidies. In addition, General Services does not have comprehensive written procedures for its leasing program, which are essential for effective management. Finally, although there is a market for leasing city-owned antenna sites to wireless communication providers, General Services staff does not possess the technical expertise needed to evaluate the appropriateness of the sites. Obtaining the technical expertise needed could allow the city to lease additional antenna sites and provide revenue to the city.

General Services' lease program needs improved data and oversight. Staff did not always record lease payment information accurately. Additionally, lease payment dates in the financial management system and the lease database differed by weeks and months, making it difficult to reconcile them and to identify whether payments were misused. Some lease property addresses and lease expiration dates were not recorded correctly in the lease database. To effectively manage leases, staff needs data that is accurate. General Services could improve lease management effectiveness by adding an insurance field to the database and programming automatic reminders about cancellation deadlines and rent increases in the database.

General Services' revenue collection practices and lease payment calculations could be improved. Staff did not follow the city's policy pertaining to contacting past due lessees every 30 days about their balances and has not always applied lease payments to the oldest debt first. Staff also did not correctly calculate some annual rental rate increases.

General Services did not receive council authorization for one lease extension and did not perform the notification for a second lease as required by city code. Finally, General Services did not have current certificates of insurance on file for several lessees.

We make recommendations intended to improve the efficiency and effectiveness of the lease program through the creation of policies and procedures; enhanced transparency; proper oversight of lease approvals; improved tools for managing leases; and increased lease revenues and protection of the city's financial interests.

The draft report was sent to the director of general services on March 27, 2015, for review and comment. His response is appended. We would like to thank General Services staff for their assistance and cooperation during this audit. The audit team for this project was Joyce Patton, Terry Bray, and Sue Polys.

A handwritten signature in blue ink, appearing to read "Douglas Jones", is centered on the page. The signature is fluid and cursive.

Douglas Jones
City Auditor

Leasing City-Owned Property

Table of Contents

Introduction	1
Objectives	1
Scope and Methodology	1
Background	2
Findings and Recommendations	3
Summary	3
Additional Business Practices Needed to Strengthen Lease Management	3
The City Needs a Policy for Subsidized Leases	4
General Services Needs Written Procedures for Leasing Program	5
City Needs Technical Expertise to Evaluate New Antenna Sites	6
Leasing Program Needs Improved Data and Oversight	6
Some Payments and Payment Dates Recorded Incorrectly	7
Lease Database Contains Inaccurate Lease Expiration Dates	7
Property Address Is Not Consistently Recorded in Database	8
Lease Database Not Fully Utilized	8
Efforts to Collect Past Due Amounts Need Improvement	9
Some CPI Increases Calculated Incorrectly	10
Council Did Not Approve Lease Extension or Receive All Required Lease Notifications	10
Required Certificates of Insurance Not Being Maintained	10
Recommendations	11
Appendix A: Leases Managed by General Services, as of January 15, 2015	13
Appendix B: Director of General Services' Response	21

Introduction

Objectives

We conducted this audit of leases of city-owned property under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.¹

This report is designed to answer the following question:

- Is General Services effectively managing the city's leasable real estate assets?

Scope and Methodology

Our review focuses on the effectiveness of General Services' management of leased city-owned property, including buildings, land, and antenna sites. It does not include leases managed by the Aviation, Convention and Entertainment Facilities, Parks and Recreation, and Water Services departments. Our audit does not include reviewing the accuracy of revenues collected for the subleases of antenna sites managed by American Tower Company. Our audit methods included:

- Interviewing General Services' staff to learn about their practices in managing leasable real estate assets.

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2011), p. 17.

- Reviewing General Services' lease policies, procedures, and records to determine whether lease agreement provisions are being followed and enforced.
- Reviewing city and General Services' accounting records to determine whether the department is calculating lease rent increases accurately.
- Reviewing General Services' lease rent collection practices for adherence to city policy.
- Reviewing professional lease management literature to identify recommended practices for lease management.
- Comparing lease management recommended practices to General Services' practices to determine whether General Services followed recommended practices.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. No information was omitted from this report because it was deemed privileged or confidential.

Background

The General Services Department manages leases for city-owned buildings, land, and antenna sites. The department manages about 50 leases, which generated about \$1.3 million in revenue in FY 2014. (See Appendix A for a list of the leases and their descriptions.)

Prior to this audit, General Services had begun changing its lease management process. Management reports it computerized the lease program by converting from paper to a database. This change to computerized records allows for automated reminders, remote access to documentation, accessibility by multiple parties, and easier reporting and analysis. In June 2014, the department hired a real estate manager whose duties include city leases. The manager developed a business plan for the real estate office.

Findings and Recommendations

Summary

General Services could strengthen its leasing of city owned property through additional business practices. The city needs a policy for evaluating and reporting on below market rent leases. Such a policy should require evaluating what qualifications the organizations should meet, consistently evaluating whether the organizations provide enough social benefit to justify the rent subsidies, and publicly reporting the value of such subsidies. General Services should also develop additional written procedures to guide employees in performing their duties. Because the city has opportunities to generate revenue from leases of city-owned antenna sites, General Services should identify the best method for obtaining technical expertise to evaluate site viability.

General Services' lease program needs improved data and oversight. Staff did not always record lease payment information, lease property addresses, and lease expiration dates accurately. In order to manage effectively, staff needs accurate data. General Services could also improve lease management efficiency by adding an insurance data field and by programming additional automatic date reminders in the lease database.

General Services needs to improve rent collection practices and lease rental calculations. Staff did not follow the city's policy pertaining to contacting past due lessees every 30 days about their balances and applying lease payments to the oldest debt first. Staff also did not correctly calculate some annual lease payment increases.

General Services did not receive council authorization for one lease extension and did not notify the council for another lease as required by city code. Finally, General Services did not have current certificates of insurance on file for several lessees.

Additional Business Practices Needed to Strengthen Lease Management

The city provides below market rate leases to organizations providing a social benefit to the city, but the city does not have a policy that requires evaluating what qualifications the organizations should meet,

consistently evaluating whether the organizations provide enough social benefit to justify the rent subsidies, and publicly reporting the value of such subsidies. General Services does not have complete written procedures for its leasing program. In addition, General Services cannot lease antenna sites until it identifies the technical expertise to evaluate whether antenna sites are viable for leasing.

The City Needs a Policy for Subsidized Leases

Although the city subsidizes leases of city-owned property, the city does not have a policy for when to lease property at below market rent. The city has subsidized a number of leases for city property. The city currently leases the use of city warehouses, radio tower sites, meeting space, parking lots, and farmland to a number of organizations at below market rates.

Recommended practices for cities providing subsidized leases include determining a tenant's appropriateness for the subsidy based on whether the tenant offsets the cost to the city of providing the service, supports other city goals, or does neither. Other recommended practices include calculating the cost to the city offset by the tenant providing the services, determining the subsidy given, and reporting both to the council. Some municipalities with subsidized leases require the lessee to provide documentation of 501(c)(3) status, financial viability, and continuation of providing services or supporting city goals.

According to General Services' management, the city forgoes lease rent for the social rather than financial benefit to the city. The cost to the city of these leases includes the loss of lease revenue, the cost of managing the lease, and sometimes the cost of building repairs. Social benefits the agencies provide the city include childcare, job training, and recycling. Prior to awarding a below market rent lease, General Services does not calculate the cost of granting the lease. General Services has started asking potential subsidized lessees for proof of 501(c)(3) status and a business plan, but these procedures are not in writing. General Services does not periodically report to the City Council the lease subsidies received by organizations and does not evaluate whether subsidized organizations continue to provide the service to the city that was identified when the lease was signed.

A formal policy and process for evaluating subsidy requests, calculating subsidies, and publicly reporting subsidies could help ensure the city's lease subsidies are supporting city goals. A policy could help the evaluation process to be transparent and insulate staff who might feel political pressure to approve requests from councilmembers. Requiring

financial viability of the subsidized organizations could help ensure continued benefits to the city. In order to ensure the best use and value for city-owned assets, the director of general services should develop a policy for council consideration for subsidized leases that includes, at a minimum:

Prior to award:

- determining whether the value of the benefit provided by the requesting organization qualifies it for a subsidy;
- evaluating financial viability of the organization;
- calculating the value of the lease subsidy;
- obtaining council authorization for the subsidy;

On a continuing basis:

- reporting the amount of subsidies to the council annually; and
- reviewing subsidized organizations periodically to determine whether the organization continues to provide the benefit agreed to at the time of lease approval.

General Services Needs Written Procedures for Leasing Program

General Services does not have written procedures for all of its leasing activities. The department does have a standard operating procedure describing the leasing function at a high level including that the department will use a leasing database and maintain renewals and insurance certificates. However, the procedure does not specify which staff positions will perform those functions or how. The department also does not have written procedures for collecting lease payments. The city's real estate manager plans to write additional General Services' standard operating procedures for real estate including leases. Having written policies and procedures is essential to effective management. For staff, written policies and procedures can communicate how the job should be performed and serve as a guide to enable staff to be consistent in their actions. In addition, written policies and procedures can outline the authority and responsibilities of individual employees; serve as a reference tool for infrequently encountered situations; and lessen the threat to continuity posed by employee turnover.

To provide adequate direction to staff and to encourage consistent practices, the director of general services should issue written leasing procedures that include all aspects of the leasing function.

City Needs Technical Expertise to Evaluate New Antenna Sites

Due to lack of technical expertise, the city has not marketed and leased some city-owned antenna sites to wireless communication providers that could produce lease revenue. Before General Services can lease a site, the site must be assessed for possible radio interference with other antennas at a location and weight limits if mounted on a tower. However, the General Services' real estate office does not have the expertise to evaluate these technical aspects of potential antenna sites.

The city's existing antenna sites generated about \$470,000 in lease revenue in fiscal year 2014. A management company subleased these sites for the city and provided the technical expertise for evaluating potential antenna locations; however, that management agreement has expired. Because the agreement is expired, the city could take over the marketing and leasing of new sites and retain more of the lease revenue. However, the city would need to identify the necessary technical expertise among current city staff to assess and evaluate potential antenna sites or hire the expertise. Another option would be for the city to contract with a management company again.

In January 2013, a consultant hired by the city to audit the city's antenna sites recommended that the city market its antenna sites.² General Services' real estate office frequently receives requests to lease antenna sites. In order to maximize opportunities to generate revenue by leasing city antenna sites, the director of general services should determine the best method for obtaining technical expertise for evaluating whether antenna sites are viable for leasing.

Leasing Program Needs Improved Data and Oversight

General Services' lease program needs improved data and oversight. Staff did not always record lease payment information, lease property addresses, and lease expiration dates accurately in the lease database. In addition, the lease database does not have an insurance requirement field and staff does not fully utilize the automated notification function in the database.

General Services needs to improve rent collection practices and lease rent increase calculations. Staff did not follow the city's policy pertaining to contacting past due lessees every 30 days about their

²*Citywide Antenna Site Audit, RFP No. EV1345*, Kansas City, Missouri, RCC Consultants, Inc., January 10, 2013.

balances and applying lease payments to the oldest debt. Staff also did not correctly calculate some annual lease payment increases.

General Services did not receive council authorization for one lease extension and did not notify council about another lease as required by city code. Finally, General Services did not have current certificates of insurance on file for several lessees.

Some Payments and Payment Dates Recorded Incorrectly

General Services' staff did not accurately record lease payments in the city's financial management system and lease database. We identified payments recorded with incorrect department IDs and account numbers and tenant utility reimbursements recorded as lease revenues. When we brought this to management's attention, we were told they addressed this through additional training. Inaccurate payment information in PeopleSoft can affect General Services' ability to analyze and track lease payment information.

Additionally, lease payment dates in the financial management system and the lease database did not match. Some dates differed by weeks or months. The widely varying payment dates make it difficult to reconcile payments, which would make it more difficult to identify if payments were misused. When we reviewed more recent dates, the gaps were shorter.

To ensure lease payment information is useful for tracking and analysis, the director of general services should ensure payments are recorded in the proper accounts timely.

Lease Database Contains Inaccurate Lease Expiration Dates

General Services' lease database includes inaccurate lease expiration dates. Expiration dates for 17 out of 52 leases in the database were entered incorrectly. An additional three expiration dates are recorded as future lease renewal expirations rather than the next expiration date, which may cause staff to fail to ensure the lease is renewed.

For staff to effectively manage leases, expiration dates contained in the lease database must be accurate. When the lease database contains incorrect expiration dates, General Services could fail to obtain notification of an option to renew, fail to notify a lessee that the department intends to cancel a lease, or fail to begin timely negotiations on a new lease. In order to ensure expiring lease cancellations or

renewals are addressed timely, the director of general services should ensure lease expiration dates in the lease database are accurate.

Property Address Is Not Consistently Recorded in Database

Property address information is not always recorded in the lease database. The database has a field designated for the property location; however, the field has been used frequently to record the address of the lease contact person. The leased location should be readily available in the database for staff reference and for generation of reports. Without it, staff has to refer back to the lease documents to find the location. In order to ensure basic lease data is readily available for use, the director of general services should ensure the property location field in the lease database contains the lease address/location.

Lease Database Not Fully Utilized

The current lease database does not contain a field indicating whether insurance is required, which makes tracking insurance requirements more difficult. Staff also does not use the database's automated notification function for monitoring some critical lease milestones.

The lease database does not have a field indicating whether the lessee is required to submit documentation of insurance. If the lease requires insurance, staff is currently recording the insurance expiration date in the options tab, which notifies staff when it is time to obtain updated certificates of insurance. The options tab will not, however, capture leases which require insurance³ if no insurance expiration dates are entered. If there is no insurance information in the database, staff needs to review the lease to determine whether the insurance expiration date is missing or whether no insurance is required. Adding an "insurance required/not required" field will make it more efficient to follow up when insurance information is missing from the lease database. In order to ensure the completeness of the database and improve efficiency, the director of general services should add an "insurance required/not required" field to the lease database.

Management does not fully use the automated notification function in the lease database. While staff currently uses automated notifications of insurance expirations and lease expirations, staff has not programmed the lease database to provide automated notifications for lease cancellation deadlines or to inform staff to perform CPI rent

³General Services does not require government entity lessees to provide certificates of insurance because these entities are self-insured.

increase calculations. Instead, staff uses the notes section to record that information, but the notes section does not generate automatic notifications. Recommended practices state that a property lease management database should provide reminders of critical milestones during the term of the lease. Missing cancellation deadlines could allow unwanted leases to inadvertently renew. Missing CPI calculation deadlines could prevent General Services from charging and collecting additional lease rent.

In order to ensure critical milestones are met, the director of general services should utilize the options tab in the lease database for automated notifications of cancellations deadlines and CPI increases.

Efforts to Collect Past Due Amounts Need Improvement

General Services does not follow the city's policy on contacting lessees about past due balances. In addition, when the department receives payments from lessees with past due balances, they do not consistently apply the payment to the oldest balance first.

General Services does not follow the city's policies for collecting past due balances. The city's Manual of Instruction (MI) requires departments to send written notification to lessees regarding outstanding balances at 30, 60, and 90 days.⁴ General Services staff does not have a systematic process for addressing past due balances and instead contacts past due lessees on an ad hoc basis.

In order to follow city policy and effectively collect past due amounts, the director of general services should ensure management follows the requirements in MI 2-27 regarding the collection of past due rent.

General Services does not always apply payments to past due amounts first. When General Services receives a payment, they sometimes apply the payment to the past due amount and sometimes to the current amount due. Payments should be recorded to past due amounts first. Debt has a statute of limitation. If General Services does not apply payments to the old debt first, it runs the risk of never being able to collect it.

To help ensure the city can collect all past due amounts, the director of general services should apply lease payments to the oldest debt first.

⁴ *Manual of Instruction 2-27, "Accounts Receivable,"* March 23, 2009.

Some CPI Increases Calculated Incorrectly

General Services calculated some CPI increases incorrectly. Many of General Services' leases contain provisions to increase rent annually. General Services calculated five of eight lease agreement increases based on the consumer price index incorrectly. The city undercharged three lessees and overcharged two lessees. The city should calculate increases accurately to ensure the lessees are charged the contractually agreed amount.

In order to ensure lessees pay the amount required by their lease agreement, the director of general services should ensure CPI calculations are accurate and for lessees overcharged by the city, credit their accounts the amount overcharged.

Council Did Not Approve Lease Extension or Receive All Required Lease Notifications

General Services did not obtain council approval before entering into a lease amendment to add an additional five-year term and did not notify the council for another lease as required by city code. City code requires the council to approve a lease if it is for a term of more than one year.⁵ In a review of leases beginning May 1, 2013 and after, management signed a lease amendment granting an additional five-year lease renewal without the required ordinance authorizing it. We notified General Services of the oversight and they have since had the council authorize the renewal option.

For another lease, management failed to notify the City Council of a one-year \$30,000 lease. City code states that no lease shall be entered into on behalf of the city for a term of one year or less for consideration in excess of more than \$20,000 without first providing council written notice of the intent to execute the agreement.⁶ In order to comply with city code, the director of general services should ensure staff follows the Code of Ordinances, Sec. 3-201 (a) and (b) by obtaining required council authorization and providing appropriate notification of leases.

Required Certificates of Insurance Not Being Maintained

General Services did not have required certificates of insurance (COI) as of February 2015, for 18 of 52 leases managed by the department. A certificate of insurance summarizes the types of insurance and coverage amounts that have been issued to the policyholder. The 18 leases require

⁵ Code of Ordinances, Sec. 3-201(a).

⁶ Code of Ordinances, Sec. 3-201(b).

lessees to furnish the city with a COI that shows the lessee has the required coverage and that the city is an additional insured by the lessee's policy. When the lessee carries insurance on the city's leased property it helps limit the city's exposure for claims from events occurring on the property. In order to meet the terms of the lease agreement and limit the city's exposure to claims that occur from events on city-leased property, the director of general services should direct staff to obtain current insurance certificates from lessees.

Recommendations

1. The director of general services should develop a policy for council consideration for subsidized leases that includes, at a minimum:

Prior to award:

- determining the value of the benefit provided by the requesting organization and deciding if that qualifies it for some level of subsidy;
- evaluating financial viability of the organization;
- calculating the value of the lease subsidy;
- obtaining council authorization for the subsidy;

On a continuing basis:

- reporting the amount of subsidies to the council annually; and
- reviewing subsidized organizations periodically to determine whether the organization continues performing services of benefit agreed to at the time of lease approval.

2. The director of general services should issue written leasing procedures that include all aspects of the leasing function.
3. The director of general services should determine the best method for obtaining technical expertise for evaluating whether antenna sites are viable for leasing.
4. The director of general services should ensure lease payments are recorded in the proper accounts timely.
5. The director of general services should ensure lease expiration dates in the lease database are accurate.

6. The director of general services should ensure the property location field in the lease database contains the lease address/location.
7. The director of general services should add an “insurance required/not required” field to the lease database.
8. The director of general services should utilize the options tab in the lease database for automated notifications of cancellations deadlines and CPI increases.
9. The director of general services should ensure staff follows the requirements in the Manual of Instruction 2-27 regarding the collection of past due rent.
10. The director of general services should apply lease payments to the oldest debt first.
11. The director of general services should ensure CPI calculations are accurate and for lessees overcharged by the city, credit their accounts for the amount overcharged.
12. When required, the director of general services should obtain council authorization and provide required notification to council before entering into a lease.
13. The director of general services should direct staff to obtain current insurance certificates from lessees.

Appendix A

Leases Managed by General Services, as of January 15, 2015

Leasing City-Owned Property

Leases Managed by General Services, as of January 15, 2015

Name of Organization	Address of Leased Property	Use/Description	Expiration Date**	Rent Frequency	Rent Amount***
American Royal Association	1701 American Royal Ct.	Arena, the Governor's Building, American Royal Building, and parking area.	5/14/2023	Annually	\$1
AT&T	5301 East 27th St.	Space on city-owned tower for the purpose of installing and operating cell phone communication equipment.	1/11/2016	Monthly	\$1,500
Avenue of Life, Inc.	5117 East 31st St.	Training facility, warehouse/recycling program and parking areas.	5/31/2024	Annually	\$500
Bare Essentials Home Care, Inc.	3200 Wayne, room 103; Inside Mohart Center	Office space and operation of a child care program; 6,797 sq. ft.	10/31/2015	Monthly	\$2,651
Batliner Paper Stock Company	South side of MO River levee & east of Olive St.	Parcel of land to be used for paved parking lot for employees and customers.	10/31/2014	Monthly	\$352
Belger Cartage Service, Inc.	21st & Main St.	Parking lots 15-24, Union Station Addition, and portions of lots 25-28.	10/31/2016	Annually	\$6,208
Bott Broadcasting Company	4700 Topping, Municipal Farm	Site for construction and maintenance of a radio antenna system used for broadcasting.	2/28/2019	Monthly	\$849
Boys Grow	4725 Coal Mine Rd	Training facility in community supported agriculture.	4/30/2019	Annually	\$100
CBS Outdoor - Viacom	6005 Prospect Ave.	Site for construction, operation, and maintenance of outdoor advertising display (double-sided billboard).	3/14/2016	Annually	\$700
CBS Outdoor - Viacom	6005 Prospect Ave.	Site for the construction of outdoor advertising structure (billboard on building).	8/31/2015	Annually	\$325
Charlie's House, Inc.	2401 Campbell St.	Property for construction, operation, maintenance and management of a nonprofit organization dedicated to keeping the community informed and engaged when it comes to preventing injuries to children in and around the home.	4/30/2051	Annually	\$1
Communities Creating Opportunities (CCO)	2400 Troost, Ste. 4300, KCMO Health Dept Bldg.	Administrative Offices; 3,580 sq. ft.	7/14/2015	Monthly	\$622
Creekwood Commons, LLC	SW corner of North Oak Trafficway and NE Englewood Rd.	Ground lease for location of a sign.	3/29/2018	Annually	\$1,600

Leasing City-Owned Property

Name of Organization	Address of Leased Property	Use/Description	Expiration Date**	Rent Frequency	Rent Amount***
Drug Enforcement Administration	414 E 12th St., City Hall	Site to install a two-way radio station including an antenna pole.	expired 5/15/1980, with month to month option	Annually	\$10
Executive Hills, Inc.	I-435 and Holmes	Land for parking and landscaping.	5/31/2037	Annually	\$920
Federal Aviation Administration	414 E 12 th St., City Hall	Space for placement of radio transmitter/receiver.	Continue until revoked by city	N/A	N/A
Freedom Bonding, LLC	1132 Oak St., Wolf Garage	Providing professional surety and insurance services, 1,780 sq. ft.	2/28/2015	Monthly	\$2,500
GEM Theater Cultural and Performing Arts Center, Inc.	2033 Vine St.	Neighborhood arts center for arts exhibition and rehearsal.	6/30/2015	Monthly	\$200
Gerdau Ameristeel US, Inc.	1301 Chouteau	Warehouse and manufacturing facility for steel.	12/31/2015	Monthly	\$24,736
Greater Kansas City Housing Information Center	3200 Wayne, Inside Mohart Center	Office space.	10/31/2015	Monthly	\$782
Habitat for Humanity Kansas City, Inc.	1423 East Linwood Blvd.	Administrative center that includes a carpentry shop, meeting space for board of directors and committees, staging area for building activity, dormitory facilities for volunteer work teams.	10/31/2019	Annually	\$1
Habitat for Humanity, Kansas City, Inc.	4701 Deramus	Collection and distribution facility of surplus and salvaged building materials. 37,063 sq. ft. warehouse with office space and outside storage.	10/31/2017	Monthly	\$6,868
Homeless Services Coalition of Greater Kansas City	3200 Wayne, Inside Mohart Center	Office space, 539 sq. ft.	10/31/2015	Monthly	\$349
Index Store Fixture, Co.	Lot 204 @ 5th and Main St.	Encroachment agreement for a retaining wall on city property.	N/A	Annually	\$300
Just Schooling Adult Day Health Care, LLC.	4922 Swope Parkway	Parking - 3 spaces.	4/30/2010	Annually	\$10
Kansas City Athenaeum, Inc.	East of 3127 Campbell	Parking area to be utilized by nonprofit business.	2/29/2012	Annually	\$10
Kansas City Community Gardens, Inc.	8100 Ozark Rd.	Community garden; approximately 2.75 acres.	10/31/2015	Annually	\$120
Kansas City Power and Light Company	Northwesterly and adjacent to 8700 Hawthorne	Railroad spur (short, dead-end section of track used to access a facility or loading/unloading ramp).	5/31/2048	Annually	\$300

Name of Organization	Address of Leased Property	Use/Description	Expiration Date**	Rent Frequency	Rent Amount***
Level 3 Communications	Space on the old railroad bridge west of Kemper Arena over Kansas River and over the land immediately east of the bridge	Installed an 8" galvanized iron pipe conduit with 6 inner ducts of fiber optic cable to the bridge as a crossing over the Kansas River.	2/28/2019	Annually	\$12,509
Lidia's Freight House, LLC	21st & Main St.	Portions of parking lots 25-28 of Union Station addition.	10/31/2016	Monthly	\$506
Livestock Exchange, LLC	State Line and American Royal Dr.	Premises will be used for open space or a commercial establishment.	7/1/2111	Annually	\$1
Martin Luther King Village, L.P.	2001 E. 25th St & 2510 Brooklyn	Premises to be used for parking lot.	5/31/2012	Annually	\$200
Metropolitan Community Colleges	2700 E. 18th St.	Educational and training facility, office space.	12/31/2020	Annually	\$10
Metropolitan Community Colleges	2700 E. 18th St	Site for installing and operating a communications facility.			
	Sublease			Quarterly	\$3,623
		T-Mobile Central, LLC.	12/31/2018		
Minority Contractors Association of Greater Kansas City	3200 Wayne, rooms 204-207; Inside Mohart Center	Office space.	10/31/2015	Monthly	\$535
Missouri National Guard	7600 Ozark Rd	National Guard armory.	2057	N/A	\$0
MWT Bulk Services, LLC	State Line and Woodswether Roads	Public marine terminal; in close proximity of the MO River. The company may also use it for public warehousing, motor truck terminal operations, and the assembly and distribution of freight.	12/31/2020	Monthly	\$2,600
Pressure Systems Supply, Inc.	Woodswether Industrial District, near Woodswether Rd. and Liberty St.	Warehousing of equipment.	1/31/2015	Monthly	\$697
Safety and Health Council	5829 Troost Ave.	Office space, 2,600 sq. ft.	12/31/2011	Monthly	\$1,100
SAVE, Inc.	907 East 31st St.	Parcel of land to be used for a paved parking area.	10/31/2015	Annually	\$10
Soap Box Derby, Inc.	4600 Eastern Ave.	Soap box derby track.	9/30/2018	Annually	\$1
Southside Activity and Service Center	7309 Troost Ave.	Community center for the benefit of all people.	10/31/2002	Annually	\$1
Spay and Neuter Kansas City	5825 Troost Ave.	Spay and neuter clinic; 6,642 sq. ft.	11/16/2015	Annually	\$1
Sprint Communications Company, L.P.	Conduit system includes an area from 12th St. to Truman Rd. and Grand to Baltimore	Use of the City's available conduit space for wires, lines, and associated equipment.	12/12/2021	Annually	\$13,556

Leasing City-Owned Property

Name of Organization	Address of Leased Property	Use/Description	Expiration Date**	Rent Frequency	Rent Amount***
Subway Real Estate Corporation	327 E 11th St., Wolf Garage	Restaurant.	5/31/2018	Monthly	\$2,779
Swope Ridge Geriatric Center	5900 Swope Parkway	240 bed, skilled nursing/long-term care facility.	4/30/2028	Annually	\$166,555
The Original WingBusters and More	1128 Oak St.	Restaurant/Café, 1,479 sq. ft.	6/30/2014	Monthly	\$1,356
Transpec Leasing, Inc.	3201 Nicholson Ave.	Parcel of land to be used for parking.	3/31/2017	Monthly	\$4,043
Union Pacific Railroad	River Market area.	Land for the location, maintenance, and operation of railroad tracks, appurtenances, and facilities.	Unable to determine	Monthly	\$150
United States, Department of the Navy	3100 Brush Creek Blvd.	Armory facility, ten-acre site.	3/31/2015	Annually	\$1
Ward Parkway Office Park North Associates/Executive Hills	8330 Ward Parkway	Lot of land incorporated into office park and related parking facilities.	5/31/2035	Monthly	\$1,667
American Tower Corporation	One International Square, Site # 92854	Antenna site.			
	Subleases			Quarterly	\$49,170
		New Cingular Wireless	4/24/2017		
		Sprint	3/22/2015*		
		Verizon	6/30/2016*		
American Tower Corporation	301 W. 13th St., Bartle Hall; Site #346158	Antenna site.			
	Subleases			Quarterly	\$3,819
		Cingular Wireless	12/4/2022*		
American Tower Corporation	301 W. 13th St., Bartle Hall; Site # 92144	Antenna site.			
	Subleases			Quarterly	\$11,255
		New Cingular Wireless	7/29/2018*		
American Tower Corporation	Subleases			Quarterly	\$4,385
		New Cingular Wireless	9/29/2015*		
		Clear Wireless	Unable to determine		
		Cricket	12/28/2023*		
American Tower Corporation	5301 E. 27 th St., Site #261139;	Antenna site.			
	Subleases			Quarterly	\$4,837
		Clear Wireless	10/25/2019*		
		Cricket	4/24/2017*		

Name of Organization	Address of Leased Property	Use/Description	Expiration Date**	Rent Frequency	Rent Amount***
American Tower Corporation	5835 Troost Ave.; Site # 93748	Antenna site.			
	Subleases			Quarterly	\$9,528
		Clear Wireless	10/12/2016*		
		T-Mobile	11/29/2015		
American Tower Corporation	NE 50th St and N Winchester, Site #92145	Antenna site.			
	Subleases			Quarterly	\$26,669
		New Cingular Wireless	5/1/2015		
		Clear Wireless	8/16/2019*		
		Sprint	11/5/2017		
American Tower Corporation	In Swope Park, Oldham & Gregory Blvd., Site # 93164	Antenna site.			
	Subleases			Quarterly	\$8,835
		T-Mobile	5/15/2015		
		Verizon	7/22/2016		
		Cricket	8/4/2018*		
		New Cingular Wireless	6/16/2015*		
American Tower Corporation	12215 Holmes Rd.; Site #92857	Antenna site.			
	Sublease			Quarterly	\$4,536
		Sprint	3/30/2019		

*Approximate date because exact start date of the agreement is unclear from the sublease.

**Lease may include additional renewal options.

***Dollar amount listed is the amount paid during a pay cycle in fiscal year 2015. Increases may have occurred during the fiscal year that are not reflected in this amount.

Sources: General Services Department and American Tower Company.

Leasing City-Owned Property

Appendix B

Director of General Services' Response

Leasing City-Owned Property



Inter-Departmental Communication

General Services Department



Date: April 16, 2015

To: Douglas Jones, City Auditor

From: Earnest Rouse, Assistant City Manager/Director of General Services

Subject: Response to Performance Audit: Leasing City-Owned Property

Recommendation 1

The director of general services should develop a policy for council consideration for subsidized leases that includes, at a minimum:

Prior to award:

- *determining the value of the benefit provided by the requesting organization and deciding if that qualifies it for some level of subsidy;*
- *evaluating financial viability of the organization;*
- *calculating the value of the lease subsidy;*
- *obtaining council authorization for the subsidy;*

On a continuing basis:

- *reporting the amount of subsidies to the council annually; and*
- *reviewing subsidized organizations periodically to determine whether the organization continues performing services of benefit agreed to at the time of lease approval.*

Agree. The director of general service has requested the real estate manager to develop policies and procedures that include these recommendations.

Recommendation 2

The director of general services should issue written leasing procedures that include all aspects of the leasing function.

Agree. While the department does have an administrative regulation and business plan in place, the department is documenting the processes for the leasing office where appropriate in the format of standard operating procedures.

Recommendation 3

The director of general services should determine the best method for obtaining technical expertise for evaluating whether antenna sites are viable for leasing.

Leasing City-Owned Property
April 16, 2015
Page Two (2)

Agree. Staff is working with the general services procurement division to identify potential options as well as reviewing available options within city staff.

Recommendation 4

The director of general services should ensure lease payments are recorded in the proper accounts timely.

Agree. Staff will ensure that all payments are being recorded to the proper accounts timely.

Recommendation 5

The director of general services should ensure lease expiration dates in the lease database are accurate.

Agree. Staff will develop proper procedures to ensure lease expiration dates are consistent with those dates stated in contracts and are properly entered into the database.

Recommendation 6

The director of general services should ensure the property location field in the lease database contains the lease address/location.

Agree. Staff will ensure that the property location field in the lease database contains the lease address/location.

Recommendation 7

The director of general services should add an "insurance required/not required" field to the lease database.

Agree. Staff will develop a field in the database to indicate if insurance is required or not.

Recommendation 8

The director of general services should utilize the options tab in the lease database for automated notifications of cancellations deadlines and CPI increases.

Agree. The options tab in the database will be used for the cancellations and CPI increases.

Recommendation 9

The director of general services should ensure staff follows the requirements in the Manual of Instruction 2-27 regarding the collection of past due rent.

Leasing City-Owned Property
April 16, 2015
Page Three (3)

Agree. Staff will follow the Manual of Instruction and send written notices to lessees regarding outstanding balances at 30, 60 and 90 days intervals.

Recommendation 10

The director of general services should apply lease payments to the oldest debt first.

Agree. Staff has already begun to implement this recommendation.

Recommendation 11

The director of general services should ensure CPI calculations are accurate and for lessees overcharged by the city, credit their accounts for the amount overcharged.

Agree. Staff will ensure calculations are accurate and will develop a procedure to confirm the amounts charged are correct.

Recommendation 12

When required, the director of general services should obtain council authorization and provide required notification to council before entering into a lease.

Agree. The director of general service will obtain council authorization and provide required notification to Council in all instances where needed.

Recommendation 13

The director of general services should direct staff to obtain current insurance certificates from lessees.

Agree. Staff will ensure that certificates of insurance are current.

cc: Troy M. Schulte, City Manager
Vanessa Williams, Manager of Real Estate